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8   UNITED STATES DISTRICT COURT
9   NORTHERN DISTRICT OF CALIFORNIA
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11   PLUMTREE SOFTWARE, INC, a   No C 02-5693 VRW
     Delaware corporation,
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                  Plaintiff,   ORDER
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           v
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     DATAMIZE, LLC, a Wyoming
15   limited liability corporation,
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                  Defendant.
17   _____/
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19   Currently before the court is a motion to realign the
20   parties. On August 7, 2003, defendant and cross-claimant
21   Datamize LLC (Datamize) filed a motion to realign it as the
22   plaintiff and to realign plaintiff and cross-defendant Plumtree
23   Software, Inc (Plumtree) as the defendant. Doc # 18. For the
24   following reasons, the court GRANTS Datamize's motion for
     realignment.
25   /
26   /
27   /
28   /

I

The dispute presented in this case actually commenced in the United States District Court for the District of Montana. In May of 2002, defendant Datamize brought suit in that court, alleging that plaintiff Plumtree had infringed its US Patent No. 6,014,137 ('137 patent). Req Jud Not, Exh 1, Summons and Complaint in <u>Datamize v Plumtree</u>, No CV 02-86-M-DWM (D Mont July 8, 2003)(Doc # 19). Plumtree responded by filing a motion to dismiss for lack of personal jurisdiction or, alternatively, to transfer the case to the Northern District of California. Not Pend 1:26-28 (Doc # 3). The case was referred to Magistrate Judge Leif Erickson, who on November 25, 2002, recommended granting the motion to dismiss for lack of personal jurisdiction. Id at 1:28-2:2.

On December 4, 2002, subsequent to the magistrate's recommendation and before the Montana district judge had ruled on the motion to dismiss, Plumtree filed an action in the Northern District of California, requesting a declaratory judgment that it "does not infringe any valid and enforceable claim of [the '137 patent]." Compl 1:23-25 (Doc # 1). On that same date, Plumtree filed notice of the pendency of the Montana action. Doc # 3. The case was reassigned to the undersigned on December 23, 2002. Doc # 7.

On July 8, 2003, the Montana district court officially adopted Magistrate Judge Erickson's findings. Thus, Datamize's action for infringement was dismissed for lack of personal jurisdiction. Pl Opp Mot Realign, Decl Cynthia T Bright 2:6-8

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1 (Bright Decl)(Doc # 26). Subsequently, on July 17, 2003,

2 Datamize filed its answer in Plumtree's Northern District action

3 and counterclaimed for patent infringement. Doc # 11.

4 Datamize filed its motion for realignment on August 7,

5 2003. Doc # 18. Additionally, the parties filed a joint case

6 management statement on August 26, 2003. Doc # 20. Then on

7 September 11, 2003, Plumtree filed its opposition to Datamize's

8 motion. Doc # 26. Datamize filed its reply brief on September

9 22, 2003. Doc # 28.

10 The court must determine two issues: (1) whether it has

11 the power to realign the parties in this case; (2) if it does

12 have the power to realign here, whether it should exercise that

13 power. The court addresses both of these issues in turn.

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15 II

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17 As a threshold matter, the court must determine

18 whether, in this particular case, it has the authority to

19 realign the parties. Datamize contends that realignment of

20 parties is well within the court's discretion. In making this

21 argument, it relies on a line of cases supporting the

22 possibility of realignment when the courts' subject matter

23 jurisdiction is based on diversity of citizenship and whenthe

24 alignment of the parties could affect whether the diversity

25 requirements are met. See Def Mot Realign 2:14-3:3. Plumtree

26 argues that those cases do not support an inquiry into

27 realignment, because they only explicitly deal with realignment

28 in the context of whether the federal courts have jurisdiction

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1   over the matters. As such, those cases have no application to

2   the case at bar, which presents no diversity jurisdictional

3   issue. Pl Opp Mot Realign 4:1-5:2.

4   The United States Supreme Court has held, at least for

5   the purposes of determining whether diversity jurisdiction

6   exists, that "[l]itigation is the pursuit of practical ends, not

7   a game of chess." <u>Indianapolis et al v Chase National Bank</u>, 314

8   US 63, 69 (1941). Accordingly, the federal courts have a duty

9   to "look beyond the pleadings and arrange the parties according

10   to their sides in the dispute." Id.

11   In the Ninth Circuit, courts follow the "primary

12   purpose" test; that is, courts must "align for jurisdictional

13   purposes those parties whose interests coincide respecting the

14   'primary matter in dispute.'" <u>Prudential Real Estate Affil, Inc</u>

15   <u>v PPR Realty, Inc</u>, 204 F3d 867, 873 (9th Cir 2000)(quoting

16   <u>Continental Airlines, Inc v Goodyear Tire & Rubber Co</u>, 819 F2d

17   1519, 1523 (9th Cir 1987)); see also <u>Dolch v United California</u>

18   <u>Bank</u>, 702 F2d 178, 181 (9th Cir 1983)(noting that the courts,

19   not the parties, are responsible for aligning the parties in

20   accordance with their interests in the case).

21   Several other circuits follow the primary purpose test

22   as well. For example, the Third Circuit has held that, with

23   respect to diversity, "the correct inquiry turns not on some

24   artificial position, but the 'principal purpose' of the action:

25   '[A] court must first identify the primary issue in controversy

26   and then determine whether there is a real dispute by opposing

27   parties over that issue.'" <u>Angst v Royal Maccabees Life Ins Co</u>,

28   77 F3d 701, 704 (3d Cir 1996)(quoting <u>Employers Ins of Wausau v</u>

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1   Crown Cork & Seal Co, 942 F2d 862, 864 (3d Cir 1991).

2   Similarly, the Sixth Circuit follows the rule that "the parties

3   be aligned in accordance with the primary dispute in the

4   controversy, even where a different, legitimate dispute between

5   the parties supports the original alignment." United States

6   Fidelity & Guaranty Co et al v Thomas Solvent Co et al, 955 F2d

7   1085, 1089 (6th Cir 1992); cf Fidelity & Deposit Co v City of

8   Sheboygan Falls, 713 F2d 1261, 1267-68 (7th Cir 1983)(finding

9   that original alignment should not be changed if there is any

10   "substantial" dispute between the parties).

11   Plumtree is correct that most of the cases that

12   Datamize cites involve realignment, via application of the

13   primary purpose test, for diversity jurisdictional purposes.

14   Some courts, however, have found realignment to be appropriate

15   in other circumstances. For instance, in Lloyd et al v

16   Pendleton Land & Exploration, Inc, 22 F3d 623 (5th Cir 1994),

17   the defendant had filed a previous suit against the plaintiffs

18   in a different district, but his suit was consolidated with the

19   plaintiffs' action against him. The trial court realigned him

20   as a defendant for the purposes of both actions. Id at 625.

21   Similarly, this district's own Judge Alsup granted a defendant's

22   motion to be realigned as a plaintiff because "from a practical

23   standpoint," forcing that party to continue as a defendant

24   "would frustrate the adversarial purpose of the judicial

25   system," since the party's interests were more aligned with

26   those of the plaintiff. Christie v Standard Ins Co, 2002 US

27   Dist LEXIS 22062, *20 (ND Cal). While these cases do not

28   explicitly use the primary purpose test, their reasoning is

United States District Court
For the Northern District of California

1   consistent with that test.

2   Thus, the court agrees with Datamize that it has the

3   discretion to realign the parties in accordance with the primary

4   purpose of the litigation. Although most of the cases on which

5   Datamize relies do not extend this test beyond the realm of

6   diversity jurisdiction, nothing in those cases explicitly limits

7   the test to that subject. Additionally, as noted above, other

8   federal courts (including one in this district) have realigned

9   parties in situations not involving the propriety of diversity

10   jurisdiction. Furthermore, Plumtree has cited no authority that

11   would limit the court's discretion in this area, nor is the

12   court aware of any such authority. Accordingly, the court finds

13   that it <u>may</u> exercise its discretion to realign the parties and

14   now turns to whether it <u>should</u> make such a realignment.

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16   III

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18   With respect to the propriety of realignment, the Ninth

19   Circuit, as noted above, follows the "primary purpose" test.

20   <u>Prudential Real Estate</u>, 204 F3d at 873; <u>Continental Airlines</u>,

21   819 F2d at 1523; <u>Dolch</u>, 702 F2d at 181. When evaluating the

22   primary purpose of the litigation, the court first should look

23   to the pleadings submitted by the parties, but it also "has a

24   duty to look beyond the pleadings to determine the actual

25   interests of the parties." <u>Angst</u>, 77 F3d at 704. Additionally,

26   the court should align the parties in accordance with the

27   primary dispute in the controversy, "despite the fact that there

28   may be actual and substantial ancillary or secondary issues to

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1   the primary issue."   US Fidelity, 955 F2d at 1089.

2   In the case at bar, the bulk of the evidence reveals

3   that the primary dispute in this case is Datamize's claim

4   against Plumtree for patent infringement, and not Plumtree's

5   claim for declaratory judgment of noninfringement. Despite the

6   fact that Plumtree may have created a substantial ancillary

7   dispute by filing a declaratory judgment action, the court must

8   align the parties in keeping with the primary dispute concerning

9   infringement. A range of reasons support this result.

10   First, as it points out in its papers, Datamize was the

11 first party to sue on the issue of infringement of the '137

12 patent. It filed the original patent infringement suit in May

13 of 2002, seven months before Plumtree filed its action for

14 declaratory relief on the same issue. Thus, Datamize was the

15 original plaintiff in this dispute. Furthermore, it appears

16 that Plumtree filed its suit against Datamize less as a result

17 of its own volition than as a response to the suit Datamize

18 filed against it in the District of Montana.

19   Second, Datamize is more properly considered the

20 natural plaintiff in this action than is Plumtree. For one

21 thing, Datamize is the party asserting the affirmative claim of

22 infringement. See Donald Chisum, 6 Chisum on Patents § 19.01(1)

23 at 19-14 (noting that "[i]n traditional terms, infringement

24 constitutes the case in chief of the patent owner").

25 Essentially, Plumtree's declaratory action for noninfringement

26 and invalidity is a defense to Datamize's infringement

27 counterclaim. See 35 USC § 282 (2003)(designating

28 noninfringement and invalidity as defenses to patent

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1   infringement); 6 <u>Chisum</u> § 19.01(1) at 19-14 (reasoning that

2   "[i]nvalidity, by virtue of the statutory presumption of

3   validity, constitutes a defense available to the defendant or

4   accused infringer"). As such, Datamize's affirmative position

5   makes the position of plaintiff more appropriate for it, while

6   Plumtree's defensive position makes the position of defendant

7   more appropriate for it.

8   A further consideration that supports Datamize as the

9   natural plaintiff is the burden of proof. Datamize notes that

10 with respect to a declaratory judgment action, the party with

11 the burden of proof is determined by the nature of relief

12 sought, and not by the pleadings' designations of plaintiff and

13 defendant. Def Mot Realign 3:23-25; see also <u>Burlington</u>

14 <u>Northern Railroad Co v Hyundai Merchant Marine Co</u>, 1999 US Dist

15 LEXIS 23186, *17-18 (CD Cal). As a result, in a declaratory

16 action in which the defendant "would bear the burden of

17 affirmative proof were the action brought in traditional form,

18 the underlying * * * assignment of burdens is not altered."

19 <u>United Pacific Ins Co v Safety-Kleen Corp</u>, 1993 WL 505393, *4

20 (ND Cal). As noted above, Datamize bears the burden of proof

21 with respect to proving the infringement counterclaim. Based on

22 the foregoing analysis, Datamize also bears the affirmative

23 burden of proof in the declaratory relief action for

24 noninfringement, since the essential issue of infringement is

25 the same in both cases.

26   A third reason that the infringement claim is primary

27 relates to the circumstances of this declaratory judgment

28 action. This case, as Datamize argues, does not present the

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1   usual rationale for bringing a declaratory judgment action. Def

2   Mot Realign 4:17-5:4. The Declaratory Judgment Act's function

3   is to "relieve potential defendants from the Damoclean threat of

4   impending litigation which a harassing adversary might brandish,

5   while initiating suit at his leisure – or never." Hal Roach

6   Studios, Inc v Feiner & Co, 896 F2d 1542, 1555 (9th Cir 1989)

7   (internal citations omitted). Declaratory relief is ordinarily

8   quite appropriate in patent cases because otherwise questions of

9   validity and potential infringement might never be adjudicated,

10 unless the patent holder brought suit. Societe de

11 Conditionnement en Aluminum v Hunter Engineering Co, Inc, 655

12 F2d 938, 943 (9th Cir 1981). This basic rationale for

13 declaratory judgment is inapposite in this case, because patent

14 holder Datamize had actually brought suit at the time Plumtree

15 filed the declaratory judgment action. Thus, the "Damoclean"

16 threats to potential defendant Plumtree do not exist.

17   A fourth reason favoring the court's finding Datamize's

18 infringement claim to be the primary purpose is that such a

19 designation may aid in the logical presentation of the evidence

20 at trial. Datamize and Plumtree spend considerable time in

21 their moving papers disagreeing about the proper order of proof

22 at trial: Datamize contends that the case for infringement

23 should be tried first, while Plumtree suggests that the issue of

24 validity should be decided first. See Def Mot Realign 5:12-6:3;

25 Pl Opp Mot Realign 5:26-6:13. Datamize concludes that

26 designating it as plaintiff and trying the infringement portion

27 of the case first could reduce or obviate the need to inquire

28 into validity, should no infringement be found; such a situation

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1   would streamline the trial process by eliminating some of the

2   issues. Def Mot Realign 5:24-6:3. The court agrees with

3   Plumtree that trying the infringement issue first would not

4   necessarily mean that the validity issue would be moot, even if

5   no infringement were found. See Cardinal Chemical Co v Morton

6   International, Inc, 506 US 83, 96 (1993) (finding that "[a]

7   party seeking a declaratory judgment of invalidity presents a

8   claim independent of the patentee's charge of infringement"); 6

9   Chisum § 19.02[1][a] at 19-19 - 19-24.

10   Reaching this conclusion, however, does not mean that

11 there are no advantages to realignment from a trial-oriented

12 perspective. If the case proceeds to trial, the party

13 designated as plaintiff will be the party who opens the case.

14 As Datamize points out, it is simply more logical to present the

15 affirmative case for infringement first, rather than presenting

16 the case for noninfringement first. To require Datamize to

17 present second might invite juror confusion on the issue of

18 burden of proof, as Datamize essentially would be put in the

19 position of rebutting Plumtree's defensive claims. See Def Mot

20 Realign 5:21-24.

21   Fifth, realignment of the parties is more consistent

22 with both the Patent Local Rules and the parties' joint case

23 management statement. No matter whether the patent holder

24 asserts infringement claims first, or whether he does so in

25 response to a declaratory action, Pat LR 3-5 essentially

26 provides for the same sequence of disclosures. Pat LR 3-5(a);

27 see also Pat LR 3-1 & 3-2 (discussing the sequence and content

28 of disclosures and accompanying document production). The

1   Patent Local Rules seem to treat the patent holder as the

2   putative plaintiff in either situation, for the purposes of

3   disclosures and document production; it therefore is consistent

4   with the spirit of those rules to treat Datamize as the

5   plaintiff in the remainder of the action.

6   The joint case management statement also treats

7   Datamize as a plaintiff would be treated: It allows Datamize,

8   based on its status as patent holder, to present first at the

9   upcoming <u>Markman</u> hearing. Joint Case Manag St 6:6-7. Thus, as

10 is the case with the Patent Local Rules, it is more consistent

11 with the case management statement to realign Datamize as the

12 plaintiff.

13   A sixth and final factor with respect to realignment is

14 that it mitigates the effects of Plumtree's evident forum-

15 shopping in this case. Although both parties accuse each other

16 of forum-shopping, Plumtree appears to be the more vigorous

17 shopper. Datamize initiated the substance of this action in the

18 district court in Montana; before that time, Plumtree had taken

19 no action on the matter. After making its motion to dismiss for

20 lack of personal jurisdiction, Plumtree did not so much as wait

21 for the Montana court's ruling on that motion before filing the

22 instant action for declaratory relief in this district. Thus,

23 it appears that Plumtree has gone to considerable lengths to

24 deprive Datamize of its choice of forum (enigmatic as the

25 Montana may be) and to have these issues tried in the Northern

26 District of California. Accordingly, it seems equitable to

27 allow Datamize to retain its status as plaintiff, despite the

28 loss of its choice of forum.

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Based on these six factors, the court concludes that the primary purpose of this litigation is the adjudication of Datamize's infringement claim. The court, therefore, should exercise its discretion to designate Datamize as the plaintiff and Plumtree as the defendant. Accordingly, Datamize's motion to realign the parties is GRANTED.

IV

For the foregoing reasons, defendant Datamize's motion to realign the parties (Doc # 18) is GRANTED. From this point onward, Datamize shall be designated as the plaintiff and counter-defendant, and Plumtree shall be designated as the defendant and counter-claimant. All pleadings filed in this case shall reflect this realignment.

IT IS SO ORDERED.

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VAUGHN R WALKER
United States District Judge

United States District Court

For the Northern District of California

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